

# **Exhibit 7**

# Disney-Fox-Warner (DIS, WBD) Streaming Deal Faces DOJ Antitrust Review

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## Disney-Fox-Warner Streaming Deal Faces DOJ Antitrust Review

- Concerns likely focused on pricing, sports league negotiations
- Antitrust enforcers have blocked cable bundles in past cases

By [Leah Nylen](#) and [Todd Shields](#)

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The Justice Department plans to scrutinize the new streaming service proposed by [Walt Disney Co.](#), [Fox Corp.](#) and [Warner Bros. Discovery Inc.](#) over concerns it could harm consumers, media rivals and sports leagues.

Regulators will look at terms of the joint venture once it is finalized, according to two people familiar with the process. The companies haven't been notified of the impending review and it may not lead to any action, said the people, who asked not to be identified discussing a confidential review.

Disney, Fox and Discovery announced the new streaming service earlier this month that would combine content from Disney's ESPN and ABC networks, Fox, and Warner channels including TNT and TBS. Citi analysts estimated the venture would control about 55% of US sports rights by cost, or about \$14.4 billion of the \$26.7 billion spent in 2024.

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The companies' say they aim to draw in viewers who don't subscribe to a pay-television bundle — and offer them sports programming available on traditional cable packages. The deal, however, has already drawn objections from smaller cable providers and at least one Internet TV service that complains it will ultimately drive up prices.

The deal "reduces the number of options" for sports leagues to sell their rights, said Steve Salop, an emeritus antitrust professor at Georgetown Law School.

The Justice Department declined to comment. Officials at the companies didn't immediately return calls and emails seeking comment.

The new offering would let viewers watch hundreds of hours of Major League Baseball, the National Basketball League, the National Hockey League, Nascar and college basketball in one place. But only about half of the most valuable sports franchise, the National Football League, would be available on the service since Comcast Corp.'s NBC, Paramount Global Inc.'s CBS and Amazon.com Inc. have rights to certain games.

Assistant Attorney General for Antitrust Jonathan Kanter dodged a question about the new sports streaming service in a public appearance last week.

## **PGA Tour**

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But the agency has been paying close attention to developments in both sports and media that may raise antitrust concerns. The Justice Department opened a probe into PGA Tour amid allegations the golf league was pressuring players to prevent them from defecting to Saudi-backed LIV Golf. Last month, the agency also joined an antitrust suit against the National Collegiate Athletics Association over rules restricting player transfers.

When Disney bought assets from Fox in 2018, the Justice Department agreed to allow the deal to move forward except for the assets related to sports, calling them “two of the country’s most valuable cable sports properties.”



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The same year, the Justice Department lost its effort to block AT&T Inc.’s merger with Time Warner, arguing the deal would let the telecom giant threaten to withhold programming to maximize its profits. Antitrust enforcers argued that the combination of AT&T’s TV-distribution network with Time Warner’s programming would lead to higher prices for consumers. A judge rejected that argument, and an appeals court upheld his decision.

But within a few years, AT&T spun off the business to Discovery Inc. The Justice Department reviewed the deal and ultimately opted against a challenge, though antitrust enforcers warned the companies they could reopen a probe later if warranted.

The Biden administration has been particularly critical of joint ventures in some markets, breaking up a partnership between American Airlines Group Inc. and JetBlue Airways Corp. last year, according to Diana Moss, vice president and director of competition policy at the Progressive Policy Institute.

### **‘Consumer Friendly’**

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“They’ve made it look very consumer-friendly in terms of the access issue,” she said. “But as always, the devil is going to be in the details in terms of how hard they compete with each other.”

Even those who think the streaming deal will eventually be cleared think it may face a marathon review before reaching the finish line.

Paul Gallant, an analyst for Cowen & Co., said in a note to clients that regulators are likely to look at whether the joint venture would discourage Warner, Fox and Disney from bidding against each other for specific sports rights.

In previous cases, the Justice Department was reluctant to bless cable bundles between too many players, according to Salop, the Georgetown professor.

In 1983, the agency blocked a joint venture between Viacom's Showtime and The Movie Channel, then owned by Warner and American Express Co. The partnership sought to combine two of the three leading providers of paid programming for cable subscribers and involved three of the six major Hollywood studios, which controlled between 40% and 50% of theatrical releases each year.

After the Justice Department said it would sue, Showtime and The Movie Channel revised their proposal to a straight merger that the two outside studios from the partnership. Antitrust enforcers allowed that deal to proceed.

The more than 40-year-old joint venture bid isn't necessarily a template for how to handle a 21st Century deal featuring much more modern technology.

"We are skeptical that there is a clear antitrust case for blocking here," Blair Levin, an analyst with New Street Research, said in a Feb. 12 note. "Still, the reactions of those hurt by the deal may ultimately lead to a government reaction, particularly to ensure that local sports remain available for free."

Disney Chief Financial Officer Hugh Johnston on Feb. 8 told Bloomberg TV the service's three members will continue to compete with each other for sports rights. And the companies were quick to point out the non-exclusive nature of the service.

Disney still plans to launch a streaming version of its flagship ESPN brand in about a year. It will have interactive features, including sports betting and the ability to chat with fellow fans, and will be priced below the new sports offering. Fox doesn't have a subscription-based streaming service for sports content, and Warner Bros. Max service requires a \$9.99 add-on for live sports streaming.

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